



2008 Revalue Report – Office Specialty – 280

King County Department of Assessments



Executive Summary Report

Appraisal Date 1/1/08 - 2008 Assessment Roll

Specialty Name: Major Office Buildings

Physical Inspection: April/May/June 2008

Sales - Improved Summary:

Number of Sales: 38

Range of Sale Dates: 4/29/05 to 12/10/07

Sales – Ratio Study Summary:

	Average AV	Average Sale Price	Ratio	COV *
2007 Value	\$ 54,643,300	\$ 65,752,400	83.1%	21.2%
2008 Value	\$ 62,173,700	\$ 65,752,400	94.6%	14.4%
Change	\$ 7,530,400		+11.5%	-6.8%
%Change	+ 13.8%		+ 13.8%	-32.1%

*COV is a measure of uniformity, the lower the number the better the uniformity.

Sales used in Analysis: All improved sales that were verified as good that included land, and that were not long-term leasebacks to the seller, or sold as a portion of a bulk portfolio sale, or have had a major renovation, or have been segregated or merged since being purchased, were included in the ratio analysis.

The Ratio Study Summary indicates a weighted mean ratio that is within the IAAO recommended standards. All other performance measures are also within IAAO guidelines.

Population - Average Improved Parcel Summary Data:

	Land	Imps	Total
2007 Value:	\$7,463,100	\$39,730,203	\$47,193,303
2008 Value:	\$8,751,610	\$47,168,649	\$55,920,260
Percent Change:	+ 17.27%	+ 18.72 %	+ 18.49 %

2007 Total Assessed Value: \$12,789,385,000

2008 Total Assessed Value: \$15,154,390,400

Number of Improved Parcels in the Ratio Study Population: 207

Conclusion and Recommendation:

The values recommended in this report improve values and achieve better uniformity; therefore it is recommended that they should be posted for the 2008 Assessment Year.

Analysis Process

Effective date of Appraisal: January 1, 2008

Date of Appraisal Report: June 16, 2008

Responsible Appraiser

The following appraiser did the valuation of this specialty:

- Dan Margonelli Appraiser II

Highest and Best Use Analysis

As if vacant: Market analysis of this area, together with current zoning and current anticipated use patterns, indicate the highest and best use of the majority of the appraised parcels as commercial use. Any opinion not consistent with this is specifically noted in the records and considered in the valuation of the specific parcel

As if improved: Based on neighborhood trends, both demographic and current development patterns, the existing buildings represent the highest and best use of most sites. The existing use will continue until land value, in its highest and best use, exceeds the sum of value of the entire property in its existing use and the cost to remove the improvements. The current improvements do add value to the property, in most cases, and are therefore the highest and best use of the property as improved. In those properties where the property is not at its highest and best use, a token value of \$1,000 is assigned to the improvements and the property is returned to the geographical appraiser.

Standards and Measurement of Data Accuracy: Each sale was verified with the buyer, seller, real estate agent or tenant when possible. Current data was verified and corrected when necessary by field inspection, review of plans, marketing information, and rent rolls when available.

Special Assumptions, Departures and Limiting Conditions

All three approaches to value were considered in this analysis.

The following Departmental guidelines were considered and adhered to:

- No market trends (market condition adjustments, time adjustments) were applied to sales prices. Models were developed without market trends. The utilization of a minimum of three years of market information without adjustment for time averaged any net changes over that time period.
- This report intends to meet the requirements of the Uniform Standards of Professional Appraisal Practice, Standard 6.

Identification of the Area

Name or Designation: Specialty Area 280: Major Office Buildings

This report contains data pertinent to the revalue of major office buildings (100,000 square feet of net rentable area and above). Net rentable area as utilized here is typically described as gross building area less vertical penetrations. The office specialty properties are found throughout King County, with significant concentrations located in Downtown Seattle and Downtown Bellevue. Additionally, larger suburban office buildings are found in many jurisdictions of the County. All major office specialty properties were revalued this year. Included in the addendum of this report is a list of the parcels physically inspected for the 2008 assessment year.

Boundaries:

All of King County

Maps:

A general map of the area is included in this report. More detailed Assessor's maps are located on the 7th floor of the King County Administration Building.

Area Description:

For purposes of the 2008 revaluation of the office-building specialty, the population has been segmented into six regions. These regions are generally described by their geographic location with the exception of one, which is described by its primary use. The following is a brief description of each of these market segments.

North

This region represents a small portion of the total specialty. The largest concentrations of buildings in this segment are located in the Northgate and University Districts.

In September 2006 the Safeco properties located in the U-District were sold to the University of Washington. UW will be moving into 511,000 square feet of office in the former Safeco Tower and three adjacent four-story buildings in early 2008. New construction includes the Lake View Building in the Quadrant Lake Union Center in Fremont. The 102,000 square foot building will be completed in 2008.

Seattle Central Business District (Seattle CBD)

The largest portion of the office specialty is comprised of properties located in this region. Approximately 45% of the office properties are located in the Downtown Seattle submarkets. The Seattle CBD geographic boundaries are loosely described for purposes of this analysis as extending from Lower Queen Anne on the north to the Safeco Field on the south, from Puget Sound on the west to Interstate 5 on the east.

In South Lake Union, construction was completed on the 323,000 square foot Westlake/Terry Buildings. Group Health and Microsoft occupy the two adjacent office buildings. Construction continues on the 2201 Westlake project which will include a 12-story office tower with 300,000 square feet of office and a 19-story residential tower. It is scheduled for completion in early 2009. On the waterfront, construction is nearing completion on the 333 Elliott Building, a 5-story, 132,000 square foot office building that is pre-leased to F-5 Networks.

Construction of other speculative office projects that began in 2007 includes the 14-story, 818 Stewart Building with 235,000 square feet and scheduled for completion in late 2008, the 28-story, 483,000 square foot West 8th Building available in 2009, the 36-story 650,000 square foot 1918 8th Building scheduled for completion in late 2009, the 17-story, 263,000 square foot Fifth & Yesler Building with scheduled completion in 2009, and the 9-story, 202,000 square foot Seventh & Madison Building also scheduled to be completed in 2009.

Dedicated office projects that started in 2007 include the seven-story, 308,000 square foot addition to the 83 King Street/Starbucks Building in Pioneer Square, and phase I of the Bill and Melinda Gates Foundation campus in the Lower Queen Anne neighborhood where construction of the public/private parking structure/visitor center commenced.

Bellevue Central Business District (Bellevue CBD)

This region, while comprised of a smaller number of properties, is considered to be the second most significant area of the office specialty. It is comprised of mid and high-rise office buildings in the Bellevue CBD as well as two Mercer Island mid-rise office buildings.

In 2007 the 27-story Lincoln Square Office Tower was completed. The 539,000 square foot property is occupied by Microsoft and Eddie Bauer. Four other office projects are currently underway in the Bellevue CBD. They include the 12 and 21-story Bravern I and II Office Towers having 248,000 and 497,000 square feet (this project will also have a large retail podium with Marcus Niemen as the anchor tenant). The Bravern office buildings have been pre-leased to Microsoft and are scheduled for completion in late 2008 and early 2009. Tower 333 is slated for completion in the second half of 2008. The 18-story, 410,000 square foot building has been pre-leased to Expedia.com and several smaller tenants. City Center Plaza with 26-stories and 572,000 square feet is also scheduled for completion in 2008. Microsoft has recently agreed to lease the entire office space. In the first quarter of 2008 demolition and construction began on the third building of the Summit complex. Summit III will be a 15-story, 330,800 square foot and is projected to be completed in late 2009 or early 2010.

Suburban Eastside

This region includes properties outside of the Bellevue CBD, on the East Side of Lake Washington. This analysis considers properties from the I-90 corridor, Kirkland, Redmond, Bothell, Issaquah and Suburban Bellevue to comprise the Suburban Eastside. At present, while this region has a large geographic expanse, it has fewer large office buildings.

In the 1-90 submarket the three phases of the Advanta Office Commons @ 1-90 are projected to be complete by the end of 2008. The three, 7-story buildings with a total of 575,000 square foot office and a parking garage structure are pre-leased to Microsoft.

Southend

Properties located within the South Seattle, Renton, Tukwila, Kent, SeaTac, Auburn and Federal Way areas generally describe this region. Weyerhaeuser is the predominant property owner in the Federal Way area. The only recent new construction was the U.S. Department of Homeland Security Building in Tukwila. This mid-rise building was completed in 2004 and has a rentable area of 132,900 square feet. Renovation and subsequent lease-up of the vacant Landmark East and West Office Buildings in Renton was completed in 2007. These office buildings have a rentable area of 274,000 square feet.

Medical Office Buildings

These are analyzed independent of the remainder of the specialty as medical/dental office buildings. They typically have a different construction cost, and income and expense profile. Medical office buildings require more intensive plumbing, extra power for medical equipment, higher fresh-air filtration, zoned heating, and more parking than conventional offices. High occupancy rates, long leases and low tenant turnover and the fact that healthcare keeps expanding regardless of the economic cycle has resulted in an office market segment that is increasingly attractive to institutional buyers. At the same time hospitals and health systems have found it attractive to sell non-core assets such as medical office buildings to get capital for new services, technology, and other uses.

The properties in this category are generally located on First Hill and the University District, with one MOB in Downtown Seattle and one in Bellevue. Renovation of James Tower portion of the Swedish/Providence Hospital was completed in 2006. The greater portion of this property is medical office while a smaller portion is lab space. It was added to the office specialty in 2006. It has a rentable area of 307,500 square feet.

Leasing Class Descriptions

A description of the leasing classes is provided. In the market approach and income approach analysis the office properties are grouped into the above market areas and then stratified into the appropriate leasing class. The leasing class may differ from the building class. For example, a reinforced concrete, midrise office building will be Class B construction but may be considered in the market as Class A leased space.

Class A:

Class A properties are the most prestigious buildings competing for premier office users with above average rents for the area. Buildings have high quality standard finishes, state-of-art building systems, and exceptional accessibility and a definitive market presence.

Class B:

Class B properties are buildings competing for a wide range of office users with average rents for the area. Building finishes are fair to good for the area and systems are adequate, and the buildings do not compete with Class A buildings.

Class C:

Class C properties are buildings competing for tenants requiring functional space at below average rents for the area. The buildings typically have designs and finishes that are dated.

In the valuation analysis Class A buildings will be further stratified into A+ /top tier and average Class A properties. Class B buildings are stratified into renovated/historic, average, and B- properties needing capital expenditures. The office specialty predominately consists of Class A and B properties.

Puget Sound Economic Conditions

Despite the slowing national economy in the later part of 2007 the regional economy has remained strong. In 2007 the Seattle-Tacoma-Bellevue area had the fourth highest job growth in the U.S. Employment growth was 3% in 2007 and according to the Puget Sound Economic Forecaster, job growth should remain near 2% or double the national average in 2008. Boeing continues to hire as it ramps up for production of the 787. Microsoft also continues to hire, and competitors including Google, Yahoo and other IT companies are establishing operations in the region. The continued strength of technology sector bodes well for the region. The strong global economy and the weak dollar also benefit the Seattle region which is the top per capita producer of foreign exports in the U.S.¹ Although a slowdown of the Puget Sound economy is expected; many observers believe that the regional economy will remain relatively healthy.

According to Cushman & Wakefield's Greater Puget Sound Statistical Summary the year-end office overall vacancy for the region was 10.3% at the end of 2007, down slightly from 10.5 % at the end of 2006 (this includes class A, B, and C buildings in all sub-markets). The positive net absorption for the year was 1,771,060 square feet. Class A office space had a positive absorption of 1,664,750 square feet. The strongest performing sub-markets for Class A space continued to be the Bellevue CBD, Eastside Suburban, and the Seattle CBD. Class A office in Downtown Seattle had a positive absorption of 688,292 square feet, Bellevue CBD had 503,516 square feet, and Eastside Suburban submarkets had 129,984 square feet of absorption.

¹ Enterprise Seattle Economic Forecaster, supplement to the Puget Sound Business Journal, January 19-25, 2008

Class B office in the Puget Sound Region had negative absorption of 112,404 square feet. Most of the Class B buildings in the office specialty are located in the Seattle CBD and Downtown sub-markets. The Financial District and the Pioneer Square/International District both had negative absorption with King County vacating 93,000s square feet in the Exchange Building, while Denny Regrade and Lower Queen Anne/Lake Union had positive Class B absorption.²

In 2007, the Seattle Office market continued to be an accelerating or expansion market. Seattle has become a landlords' market with lower vacancy and substantially higher asking lease rates. Six multi-tenant office buildings are currently under construction. Direct average Class A asking lease rates are estimated to have increased almost 25% in the Downtown Seattle market with a yearly gain of just over \$7.00 per square foot to end the year at \$35.54 per square foot full service.³

The Bellevue CBD and the Eastside Suburban markets also continue to be strong accelerating or expansion markets with asking rents rising substantially throughout the submarkets. Four office towers currently under construction are pre-leased. According to Officespace.com average full service asking rental rates for Class A+ office space in the Bellevue CBD increased to \$38.20 per square at the end of 2007 compared to \$32.69 per square foot at the end of 2006. The lower tier of Class A offices saw asking lease rates increase to \$34.54 per square foot from \$26.44 per square foot at the end of 2006.⁴

In the first quarter of 2007 Equity Office Properties in Seattle, Bellevue, and the 1-90 Corridor underwent a series of ownership changes. Also, Microsoft Corporation pre-leased 1.3 million square feet of new construction in the Bellevue CBD and I-90 submarkets. These office transactions and the large pre-leases have been strong factors in the sharp rise of Eastside asking rates that has occurred in 2007. New landlords want to validate their transaction prices with higher lease rates and this is occurring at a time where demand is high, larger office space supply is limited and new supply is not yet available.

The South County office market remains in a recovery cycle with direct vacancy still high in some submarkets, however there have been moderate decreases in vacancy in most submarkets and moderate increases in asking lease rates. With the higher lease rates in Seattle/Eastside more large office users may take a closer look at the South-end office market with its substantially lower lease rates.

Preliminary Ratio Analysis

The inclusion of the Ratio Study Summary is done for administrative consistency. Because of guidelines, and the diversity of the office building types and submarkets the assessor has used three years of sales with actual sales from 4/29/2005 through 12/10/2007. The fact that some of the sales may have higher or lower leases in place than current market rates, results in a final ratio study that may not be considered an entirely

² Cushman & Wakefield Greater Puget Sound Statistical Summary, 4th Q 2007

³ CBRE Marketview Seattle, 4thQ 2007

⁴ Officespace.com, Historical Submarket Statistics

reliable analysis of recommended assessed values as compared with market sales. Recommended assessed values are based on market conditions as of January 1, 2008.

The Preliminary Ratio Study was completed just prior to the application of the 2008 recommended values. This study benchmarks the current assessment level using 2007 posted values. The study was also repeated after application of the 2008 recommended values. The results are included in the validation section of this report, showing a change in the level of assessment from 83.1% to 94.6%, the Coefficient of Dispersion (C.O.D.) from 15.8% to 11.8%, the Coefficient of Variation (C.O.V.) from 21.2% to 14.4%. The Price-related Differential (PRD) of 0.99 did not change.

Scope of Data

Land Value Data:

The geographic appraiser in the area in which the specialty office property is located is responsible for the land value used by the office specialty appraiser. See appropriate area reports for land valuation discussion.

Improved Parcel Total Value Data:

Sales information is obtained from excise tax affidavits and reviewed initially by the Accounting Division, Sales Identification Section. Information is analyzed and investigated by the appraiser in the process of revaluation. All sales are verified, if possible, by calling either the purchaser or seller, or calling the real estate broker, and reviewing sale transaction data from online subscription sources. Characteristic data is verified for all sales, if possible. Due to time constraints, interior inspections were limited. Sales are listed in the “Sales Used” and “Sales Not Used” sections of this report.

Improved Parcel Total Values:

Sales comparison approach model description

The office building sales in King County utilized in the analysis for the current revalue were segmented into six market segments. The segmentation was based primarily on the geographic boundaries previously described. In the event a segment lacked adequate sales representation, similarities in other segments were considered and judgment applied in determining market comparability.

In 2007 the Seattle Metropolitan Area office market had a record high number of sale transactions with sales volume and average price paid per square foot reaching record highs. There were 86 transactions with closing prices greater than \$5 million for a total sales volume of over \$6.1 billion. This compares with 2006 with 70 transactions for a total sales volume of over \$2.9 billion.⁵ Sales volume in 2005 was \$1.13 billion, \$766 million in 2004, \$261 million in 2003, and only \$86 million in 2002.⁶

⁵ CBRE, Real Estate Investment Outlook, 2007 in Review

⁶ Puget Sound Business Journal, “Seattle hits trifecta for commercial sales in 2005” Reynolds Hass – Senior VP of Colliers International Seattle, February 13, 2006

Currently approximately 96% of the office buyers are institutional investors. Five years ago only 50% of the purchases were by investors. During this time the Seattle/Eastside region has evolved into a top tier office market. The Emerging Trends in Real Estate 2008 Report by the Urban Land Institute and PricewaterhouseCoopers again ranked Seattle as the most attractive market for commercial/multi-family investment and development (New York City would have been first if adjacent secondary markets were not including in the overall ranking). These rankings were based on their national investor survey. Real Capital Analytics Inc. ranked the Seattle area 10th worldwide in sales of central business district office buildings just ahead of Hong Kong. Marcus & Millichap's 2008 "National Office Property Index" ranked the Seattle area as the No. 1 office market up from No. 4 last year based on projected job growth, office vacancies, rent growth and new construction. For a second year the Association of Foreign Investors ranked Seattle the fifth best city in the U.S. for commercial real estate investment. RREEF Property Cycle Monitor October 2007 identifies Seattle along with Los Angeles, and San Francisco as the leading West Coast office markets based on low availability levels and strong upward movement in Class A rents.

Despite the national economic downturn, Seattle and Bellevue/Eastside office buildings have remained very attractive to institutional buyers. "Seattle is a standout market for investors, receiving top or near top buy ratings for all property sectors. Growth controls and geographical barriers have led to concentrated high-density mixed-use development, which has drawn residents to new downtown neighborhoods, making Seattle a 24-hour city on Asian commerce routes. With so many corporate heavyweights headquartered in or near Seattle, it has a highly diversified economy."⁷ Seattle and the Eastside have outperformed much of the rest of the nation in job growth and are forecast to continue to do so. Also, the weak dollar encourages foreign investment in the region. Investors recognize that the regional office market and economy has been relatively insulated from the national downturn. Existing buildings are attractive because of high land and the high cost of new construction.

In 2007, office specialty properties that sold included a range of types. They included A+ buildings, average Class A buildings, renovated and well-located Class B buildings, and several Class B buildings requiring renovation and capital expenditures to achieve maximum income potential. Increasingly buyers have been purchasing institutional grade office buildings and betting on strong income appreciation as many lower rate leases signed after the 2001 downturn are ending. This has resulted in a continued decline in office capitalization rates in the Seattle/Eastside market in 2007.

The largest transaction was the Equity Office Properties sale to Blackstone and the subsequent portfolio sales of most of these properties to Beacon Capital and the Archon Group. These transactions were portfolio sales with an assigned value to the individual office buildings based on the performance of each property. In the Bellevue CBD where EOP had owned a large share of the office market this were the first, substantial Class A+/A office sales activity of the decade. Since the April 2007 portfolio transactions, several of the properties including 2nd & Seneca and Nordstrom Medical Tower in Seattle have traded again at slightly higher values.

⁷ Urban Land Institute, News, Highlights of Emerging Trends In Real Estate 2008, Oct. 17, 2007

Location and views are also considered important by buyers. This is evident when one looks at the high sale prices of Market Place I & II, 101 Elliott (Seattle P.I. Bldg), and World Trade Center North located in the Seattle Waterfront submarket.

Sales to owner-users include the sale of the 1915 Terry Building in the Seattle CBD to Seattle Children's Research Center, and the sale of Valley Office Park in Renton to Providence Health Systems which will move their Seattle employees to the site.

2007 saw second sales (since the 2001 downturn of the economy) of several office properties. In Seattle they included Market Place I & II, Park Place, 1915 Terry, and the Exchange Building.

Sales comparison calibration

Market sales of office specialty properties that occurred during the period from 1/01/2005 to 12/31/2007 were considered in the analysis. Other market sales of office buildings that were smaller than the office specialty threshold of 100,000 square feet net rentable, were sometimes included in the analysis but not the ratio study (See list of Improvement Sales Used) when the sales were limited for a building type or submarket.

Even with the high sale activity in 2007, it is felt that there are not enough office market sales of different office types in the various submarkets to rely entirely on the market approach to value. Also, when a sale is confirmed it is not always possible to determine the in-place rents in order to determine how they compare with current market rates.

While the Sales Comparison Approach is given considerable weight, the Income Approach is used in the final reconciliation of value because it allows greater equalization and uniformity of values for the various stratifications of office buildings.

Cost approach model description

Cost estimates are automatically calculated via the Marshall & Swift cost modeling system. Depreciation was based on studies done by Marshall & Swift Valuation Service. The cost was adjusted to the Western Region and the Seattle area. Marshall & Swift cost calculations are automatically calibrated to the data in place in the Real Property Application. Because of the difficulty in accurately determining the depreciation of older office properties, and the rapidly accelerating land values and construction cost in the current market, this approach to value was given the least weight in the final reconciliation of values.

Cost calibration

The Marshall& Swift cost-modeling system built into the Real Property Application is calibrated to this region and the Seattle area.

Income capitalization approach model description

A direct capitalization income approach estimate was calculated for all properties within the specialty. Due to the significance of the parking income contribution in the Seattle and Bellevue CBD's, and the fact that these parcels comprise the majority of the properties within the specialty, parking income was a necessary component of the direct capitalization process. The inability of the department's income table program to recognize parking stalls as an income generator prohibited the use of income tables in the revaluation of the office specialty. Therefore, no tables were created. Instead three direct capitalization workbooks were created showing each property's income value estimate.

Income approach calibration

The models were calibrated after setting base rents by considering necessary adjustments. Appraisal judgment was employed in adjusting for differences between individual buildings based on their perceived investment competitiveness in their respective markets. Location, effective age, construction and leasing class, quality and size as recorded in the Assessor's records were items considered to be of primary importance in determining a property's investment competitiveness and placement in the appropriate base rent category.

Within each of the six market segments, income parameters were established for economic rent, vacancy and credit loss, expenses, and capitalization rates for various groupings of properties based on their investment competitiveness. Rents, operating expenses, and capitalization rates were collected on sold properties when available. This data was then considered along with surveys conducted by outside resources, along with information gathered from properties available for lease and sale, and utilized to establish general guidelines for neighborhood groupings. A rent survey was conducted to ascertain the income parameters typically reflected in the current office lease market. The information gathered is considered to be indicative of the current office-leasing environment and in most instances, the data reported is based on deals that have been made and are in place or will be in the near future.

According to the CB Richard Ellis Fourth Quarter 2007, Puget Sound Office Market Report vacancy rates, full service asking lease rates and operating expenses reported by brokers for Class A, B and C properties (includes all multi-tenant office buildings 10,000 square feet and greater in size) located in the Canal, Central Business District, Denny Regrade, Lake Union, Lower Queen Anne, Pioneer Square and Waterfront market areas indicate the following:

Submarket	Vacancy Rate: Class A w/sub-lease	Vacancy Rate: Class B w/sub-lease	Vacancy Rate: Class C w/sub-lease	Overall Vacancy Rate Including sub-lease	Overall Vacancy Rate: w/o sub-lease <u>Direct Vacancy*</u>
CBD	10.79%	15.63%	13.12%	11.61%	9.10%
Denny Regrade	5.31%	27.58%	14.95%	10.54%	10.01%
Lake Union	7.57%	10.02%	0%	7.79%	4.85%
Lower Queen Anne	5.14%	10.45%	0%	6.01%	5.24%
Pioneer Square	6.13%	7.11%	3.78%	6.27%	4.60%
Waterfront	2.97%	4.00%	6.92%	3.93%	3.33%
Canal	0.10%	0.23%	45.14%	1.17%	1.17%

* A direct vacancy rate as opposed to an overall vacancy rate (includes sublease space available) is used in the revaluation analyses

Seattle	Yr End	<u>Full Service Lease</u>			<u>Operating Expenses *</u>		
		<u>Rates(Asking rates)</u>					
Market Area		Class A	Class B	Class C	Class A	Class B	Class C
Seattle CBD	2006	\$24-\$36	\$22-\$28	\$16-\$24			
	2007	\$28-\$50	\$28-\$36	\$22-\$28	\$9.50-\$11/.75	\$6.00-\$10.00	\$6.00-\$9.00
Denny Regrade	2006	\$22-\$32	\$18-\$26	\$17.50-\$25			
	2007	\$23-\$42	\$22-\$34	\$18.50-\$30	\$7.50-\$9.50	\$6.00-\$8.50	\$5.50-\$7.00
Lake Union	2006	\$24-\$30	\$20-\$29	\$18-\$22			
	2007	\$27-\$35	\$20-\$34	\$18-\$22	\$8.00-\$9.50	\$6.25-\$8.25	\$5.50-\$6.50
Lower Queen Anne	2006	\$21-\$26	\$18-\$24	\$18-\$22			
	2007	\$24-\$38	\$22-\$25	\$18-\$22	\$7.00-\$9.00	\$6.00-\$7.25	\$5.50-\$6.50
Pioneer Square	2006	\$22-\$26	\$20-\$27	\$18-\$20			
	2007	\$24-\$38	\$22-\$30	\$18-\$23	\$7.50-\$8.50	\$6.00-\$7.75	\$5.00-\$6.50
Waterfront	2006	\$21-\$32	\$20-\$25	\$18-\$20			
	2007	\$26-\$50	\$24-\$28	\$19-\$27	\$7.50-\$9.50	\$6.25-\$8.25	\$5.50-\$6.50
Canal	2006	\$22-\$24	\$18-\$21.50	\$17-\$19			
	2007	\$26-\$32	\$21.50-\$26	\$17-\$20	\$6.50-\$8.00	\$6.00-\$7.25	\$5.00-\$6.50
Seattle Downtown	2006	\$21-\$36	\$18-\$26	\$18-\$22			
	2007	\$23-\$50	\$20-\$36	\$17-\$30	\$6.50-\$11.75	\$6.00-\$10.00	\$5.00-\$9.00

* Operating expenses include property taxes, but do not include leasing commissions or tenant improvements

According to the CB Richard Ellis Fourth Quarter 2007, Puget Sound Office Market Report, vacancy rates, full service asking lease rates and operating expenses reported by brokers for Class A, B and C properties (includes all multi-tenant office buildings 10,000 square feet and greater in size) located in the Bellevue CBD, I-405, SR-520, I-90, Bel-Red Corridor, Kirkland, Redmond market areas indicate the following:

Bellevue & Eastside Submarkets	Vacancy Rate: Class A w/sub-lease	Vacancy Rate: Class B w/sub-lease	Vacancy Rate: Class C w/sub-lease	Overall Vacancy Rate: Including sub-lease	Overall Vacancy Rate: w/o sub-lease <u>Direct Vacancy*</u>
CBD	6.01%	7.29%	0.00%	6.00%	5.44%
I-405	14.90%	13.04%	8.78%	13.73%	12.06%
SR-520	11.30%	6.64%	10.24%	9.73%	8.15%
I-90	6.63%	8.67%	--	7.02%	4.70%
Bel-Red-Road Corridor	0.00%	5.21%	1.13%	3.26%	3.04%
Kirkland	5.47%	1.15%	0.00%	4.68%	4.26%
Redmond	4.47%	6.42%	--	5.02%	4.39%
Bothell	25.64%	64.83%	--	26.44%	25.43%
Eastside (overall)	9.53%	9.00%	7.22%	9.34%	8.13%

* A direct vacancy rate as opposed to an overall vacancy rate (includes sublease space available) is used throughout the revaluation analyses

Market Area	<u>Year End</u>	<u>Full Service Lease Rates (Asking Rates)</u>			<u>Operating Expenses*</u>		
		Class A	Class B	Class C	Class A	Class B	Class C
Bellevue CBD	2006	\$24.00-\$38.00	\$20.00-\$25.00	\$21.00			
	2007	\$29.50-\$43.00	\$24.00-\$28.00	\$21	\$9-\$10.75	\$7.50-\$8	--
I-405	2006	\$21.50-\$28.00	\$20.00-\$28.00	\$20.50-\$22.50			
	2007	\$28.00-\$35.00	\$24.00-\$35.00	\$22.00-\$26.00	\$7.50-\$9.25	\$6.75-\$7.25	\$6.50-\$7.25
SR-520	2006	\$21.00-\$29.00	\$19.00-\$25.00	\$15.00-\$17.00			
	2007	\$24.00-\$33.00	\$21.00-\$26.00	\$18.00-\$22.00	\$7.50-\$9.25	\$6.75-\$7.75	\$6.50-\$7.25
I-90	2006	\$21.50-\$33.00	\$24.00-\$28.00	--			
	2007	\$29.50-\$37.00	\$24.00-\$33.00	\$16.50-\$26.00	\$7.50-\$9.50	\$7.00-\$8.00	--
Bel-Red-Road Corridor	2006	\$26.00	\$18.00-\$24.00	\$17.00-\$24.00			
	2007	\$32.00	\$19.00-\$29.00	\$19.00-\$25.00	\$6.50-\$7.50	\$6.25-\$7.25	\$5.50-\$7
Kirkland	2006	\$25.00-\$34.50	\$22.00-\$28.00	\$18.75-\$21.00			
	2007	\$27.50-\$42.00	\$28.00	---	\$7.50-\$8.75	\$6.50-\$7.00	\$6.25-\$8.00
Redmond	2006	\$22.00-\$28.00	\$19.00-\$24.00	--			
	2007	\$28.00-\$32.00	\$22.00-\$25.00	---	\$7.25-\$8.00	\$6.25-\$6.75	--
Bothell	2006	\$18.00-\$25.00	\$21.00	---			
	2007	\$25.00-\$30.00	\$21.00-\$28.00	---	\$7.25-\$8.00	\$6.25-\$6.75	--
Total – Eastside	2007	\$24.00-\$43.00	\$19.00-\$35.00	\$16.50-\$26.00	\$6.50-\$10.75	\$6.25-\$8.00	\$5.50-\$8.00

* Operating expenses include property taxes, but do not include leasing commissions or tenant improvements

According to the CB Richard Ellis Fourth Quarter 2007 Puget Sound Office Market Report rates for properties (includes all multi-tenant office buildings 10,000 square feet and greater in size) located in the Auburn, Kent, Renton, Sea-Tac, South Seattle, Tukwila and Federal Way market areas indicate the following:

Submarket South End	Total Vacancy Rate (includes sub-lease) - All lease classes	Direct Asking Lease Rate Class A (full service)	Direct w/sub-lease Asking Lease Rate Class A (full service)
Auburn	16.82%		
Kent	26.6%		
Renton	11.60%		
Sea-Tac	13.92%		
South Seattle	12.58%		
Tukwila	21.90%		
Federal Way	22.10%		
<i>Total South End Vacancy</i>	<i>17.58%</i>	<i>\$22.07</i>	<i>\$21.95</i>

In the “Greater Puget Sound Statistical Summary” for year-end 2007 Cushman & Wakefield breaks out the Direct Vacancy, and the Direct Weighted Average Class A & Class B Rental Rate for the different markets and submarkets.

Market	<u>Direct Vacancy</u> <u>Class A Office</u>	<u>Class A</u> - Direct Wtd. Avg. Lease Rate (FS) (both direct & sublease)	<u>Direct Vacancy</u> <u>Class B Office</u>	<u>Class B</u> - Direct Wtd. Avg. Lease Rate (FS) (both direct & sublease)
KING COUNTY				
SEATTLE CBD	6.1%	\$38.51	8.3%	\$29.39
Financial District	7.8%	\$39.57	9.4%	\$31
Denny Regrade	3.7%	\$34.28	8.5%	\$29.10
Pioneer Square/Inter. District	0.0%	N/A	7.1%	\$30.93
Lower Queen Anne/Lake Union	4.3%	\$35.54	6.6%	\$23.86
SEATTLE IN-CITY	6.5%	\$26.54	10.0%	\$28.75
North Seattle/Northgate	6.9%	\$26.51	13.8%	\$28.75
East Seattle/Capital Hill	3.6%	\$27.00	0.0%	N/A
BELLEVUE CBD	4.4%	\$38.23	4.6%	\$34.52
EASTSIDE SUBURBAN	6.8%	\$29.90	8.8%	\$29.46
1-90 Corridor	1.8%	\$34.28	7.0%	\$31.82
Redmond	2.7%	\$32.16	11.9%	\$27.06
Kirkland	1.2%	\$32.77	8.4%	\$29.30
405 Corridor	13.9%	\$32.94	9.2%	\$29.20
520 Corridor	2.0%	\$32.50	8.1%	\$28.03
SOUTHEND	12.6%	\$22.71	22.6%	\$20.42
Seattle Close-in	14.5%	\$29.19	8.3%	\$19.48
Tukwila	15.5%	\$21.75	17.5%	\$18.40
Sea Tac	11.3%	\$23.75	17.3%	\$19.24
Renton	9.1%	\$21.25	20.1%	\$22.74
Kent/Auburn	18.0%	\$21.90	42.4%	\$20.82
FEDERAL WAY	19.2%	\$20.56	47.8%	\$20.25

Officespace.com provides statistics on leased office buildings throughout King County. Submarkets are delineated and broken out into leasing class, number of buildings, direct vacant square feet, vacancy with sublet, future available square feet, and average asking lease rate. This stratification is useful because it also breaks out the A+ office properties in the Seattle CBD and Bellevue CBD. The information in the following table is the 4th Quarter 2007 statistics from Officespace.com for the Seattle submarkets that were considered useful in the current revaluation.

Class	# Bldgs	Total Sq. Ft.	Direct Vac. SF	Direct Vac.	Sublease SF	Vac. w/ Sublet	Future Vac.	Av. Lease F.S.
Seattle CBD								
A+	8	7,497,812	381,501	5.09%	60,111	5.89%	188,399	\$43.83
A	52	11,671,330	1,082,497	9.27%	404,617	12.74%	107,152	\$33.39
B	46	3,981,084	368,157	9.25%	55,956	10.65%	38,585	\$26.91
Denny Regrade								
A	16	2,702,597	139,603	5.17%	29,542	6.26%	162,215	\$29.00
B	33	1,161,852	109,239	9.40%	10,000	10.26	19,035	\$21.33
Lk.Union, Univ/Ballard								
A	55	3,715,982	55,251	1.49%	37,706	2.50%	58,961	\$26.78
B	79	1,950,953	115,816	5.94%	0	5.94%	56,147	\$20.23
Pioneer Sq.								
A	12	1,415,299	14,117	1.00%	20,298	2.43%	5,932	\$25.61 *
B	37	1,791,405	103,084	5.75%	12,570	6.46%	67,237	\$20.64
Queen Anne								
A	7	683,960	58,975	8.62%	500	8.70%	4,831	\$24.26
B	19	711,196	42,744	6.01%	6,800	6.97%	9,330	\$20.88
Waterfront								
A	20	2,093,530	64,689	3.09%	60,725	5.99%	9,590	\$30.83
B	22	1,642,826	66,206	4.03%	3,500	4.24%	28,258	\$23.62
Northgate/ North Sea.								
A	13	553,359	55,673	10.06%	0	10.06%	5,245	\$25.87
B	34	954,324	70,917	7.43%	17,574	9.27%	14,394	\$21.69
Cap./First Hill								
A	7	519,013	18,516	3.57%	0	3.57%	0	\$36.10
B	30	698,835	25,020	3.58%	2,264	3.90%	54,790	\$26.73

* Pioneer Square average Class A lease rate does not include higher lease rates of the 605, 625, & 705 Union Station Office Bldgs. that did not report min/max lease rates.

The information in the following table was the 4th Quarter 2007 statistics from Officespace.com for the Bellevue CBD and I-90 submarkets.

Class	# Bldgs	Total Sq. Ft.	Direct Vac. SF	Direct Vac.	Sublease SF	Vac. w/ Sublet	Future Vac.	Av. Lease Rate (FS)
Bellevue CBD								
A+	9	3,502,132	209,515	5.98%	11,827	6.32%	30,350	\$38.20
A	24	3,245,423	141,491	4.36%	36,001	5.47%	180,813	\$34.54
B	20	508,706	52,492	10.32%	1,243	10.56%	15,903	\$26.42
Bellevue Suburban								
A	28	1,137,278	96,008	8.44%	50,727	12.90%	19,786	\$26.88
B	125	2,287,666	143,950	6.29%	25,769	7.42%	15,282	\$24.56
I-90								
A	89	5,651,776	285,351	5.05%	100,192	6.82%	395,298	\$28.52
B	35	863,998	45,384	5.25%	39,412	9.81%	23,500	\$25.33

Corporate Real Estate Service Advisors (CRESA) Tenant's Guide for Seattle and Bellevue indicate the following average office rental rates. These quarterly rates point to the increase in lease rates in the office market.

SeattleCBD	Q2 2007	Q3 2007	Q4 2007
Class A	\$35.00	\$36.00	n/a
Class B	\$30.00	\$30.00	n/a
Seattle Suburban			
Class A	\$30.00	\$30.00	n/a
Class B	\$26.00	\$26.00	n/a
Bellevue CBD			
Class A	\$36.30	\$36.00	\$38.00
Class B	\$32.00	\$31.75	\$31.75
Suburban			
Class A	\$27.75	\$30.00	\$33.00
Class B	\$26.45	\$27.00	\$27.00

NAI Global Commercial Real Estate Services indicate the following Seattle area office lease rates as of Year-End 2007. These statistics also include full-service rates for new office construction.

Downtown Office	Low	High	Effective Avg.
<i>New Construction</i>	\$38.00	\$46.00	\$39.00
Class A	\$36.00	\$43.00	\$36.00
Class B	\$30.00	\$37.00	\$32.00

Suburban Office	Low	High	Effective Avg.
<i>New Construction</i>	\$32.00	\$44.00	\$34.00
Class A	\$24.00	\$42.00	\$32.00
Class B	\$21.00	\$33.00	\$25.00

GVA Kidder Mathews in their Year-End 2007 “Seattle Real Estate Market Review” states that over the past year Class A asking rental rates increased by as much as 34% bringing rates back to the peak of the office market before the dot.com correction in 2001. This has pushed office rates above \$40/sf/year full service in the CBD’s top tier office towers with the average Class A asking rate of \$36.93/sf/year full service. In the Seattle market about 1.2 million square feet of new office construction is scheduled for completion in 2008 and 3.8 million square feet in 2009. The forecast also states that the combination of the current high asking rates and the supply of new space may slow rent growth in 2008.

This same year-end forecast states that office lease rates in the Bellevue/Eastside market ended the year 23% higher than year end 2006. The overall average asking rent was at \$32.26/sf/year full service with Class A lease rates 15 – 20% higher. Nearly two and a half million square feet of preleasing has occurred in this market with Microsoft leasing 1,875,000 square feet in the Bravern Office Towers, City Center Plaza, and Advanta Office Campus, Expedia.com leasing 360,000 square feet in Tower 333, and Google leasing 195,000 square feet in the Lakeview Plaza project in Kirkland.

The 2007 year-end forecast for the South King County office market states that this market continues to diversify from its Boeing roots with the average asking rate at the end of 2007 being \$21.79/sf/year full service with the limited inventory of Class A office space in this market having lease rates about \$1-2 above this average.

This forecast indicates that the 2007 year-end vacancy percentages for the Seattle office market has decreased from 8.8% at the end of 2006 to 7.8%. East King County dropped from 5.6% to 5.2%, and South King County decreased from 15.4% to 12.4%.

A direct vacancy rate assumption as opposed to an overall vacancy rate (overall includes sublease space available) assumption is used throughout the following analyses. The specific “norm” vacancy rate(s) will be indicated below in the brief description of the income parameters utilized in each of the six market segments. Properties which varied significantly from the “norm” rate were treated in a few different ways depending upon their unique situation. Higher capitalization rates and/or higher vacancy rates were

typically recognized for these buildings. If an office property's situation was deemed far inferior from the "norm" requiring a multi-year lease up period it might be valued via a discounted cash flow analysis thereby allowing recognition of the "extreme" vacancy situation.

Following are lists of office cap rates for both the Seattle Metropolitan office market and the national office market:

Seattle Metro Area Office Cap Rates						
Source	Date	Location	Type	Range	Average	Remarks
Rosen Consulting Group	End of Feb. 2008	Seattle Area	CBD Office		5.20%	Average sales price of \$375/sf up from \$300/sf one year earlier
			Suburban		5.20%	Average sales price of \$282/sf up from \$217/sf one year earlier
Pacific R.E. Partners	3rd Qtr 07	Seattle / Eastside	Office - all classes		6.10%	Appraisal Institute Seminar - November 2, 2007 - national rate at 6.6% (speaker Lori Hill)
			Office - Class A		<5.50%	"
Integra Realty Resources - Viewpoint 2008	Year End 2007	Seattle	CBD Office		6.00%	going-in cap rate - same as one year earlier
		Seattle	Suburban Office		6.25%	going-in cap rate - down from 6.5% one year earlier
Colliers International - US Real Estate Review	4th Qtr 07	Seattle Metropolitan Area	CBD Office		5.80%	Based on multi-tenant institutional grade buildings fully leased at market rates - down from 6.5% one year earlier - average CBD sales price of \$347/sf
		Seattle Metropolitan Area	Suburban Office		5.26%	down from 6.25% one year earlier
American Council of Life Insurance (Commercial Mortgage Commitments)	4th Qtr 07	Seattle-Bellevue-Everett	Office		6.30%	based on 3 loans with average loan amount of \$10.2 million
Real Capital Analytics	4th Qtr 07	Seattle Metropolitan Area	Office - CBD		5.40%	weighted average cap rate - based on sales \$5 million or greater
			Office - Suburban		5.50%	weighted average cap rate - based on sales \$5 million or greater
Marcus & Millichap Medical Office Research Report	Midyear 2007	West/Pacific NW	Medical Office		mid 6% range	unchanged over past year

Seattle Metro Area Office Cap Rates - continued						
Source	Date	Location	Type	Range	Average	Remarks
Co Star Group	4th Qtr 07	Seattle	office	5 - 7.50%	5.90%	Seattle -all submarkets- sales over \$5m - there were 15 sales with average price of \$45,476,298 or \$328/sf - does not include large portfolio sales
	4th Qtr 07	Eastside	office	5 - 7.44%	5.90%	Eastside - all submarkets - sales over \$5m - there were 5 sales with average of \$26,370,700 or \$321/sf - does not include large portfolio sales

National Office Cap Rates						
Source	Date	Location	Type	Range	Average	Remarks
Emerging Trends in Real Estate 2008 Survey	Jul-07	National	Downtown Office		5.60%	rate based on U.S. respondents to survey
			Suburban Office		6.52%	
Grubb & Ellis Capital Mkt Update 2nd Qtr 2007	2nd Qtr 2007	National	CBD Office		5.80%	down 80 basis points from 2nd Qtr 06
			Suburban Office		6.70%	down 70 basis points from 2nd Qtr 06
American Council of Life Insurance (Com. Mortgage Commitments)	4th Qtr 2007	National	Office			
			Office- \$5m- \$15m loan size		7.60%	
			Office- \$15m-\$25m loan size		6.90%	
			Office- \$25m & over loan size		6.30%	
			Office- 50,000- 100,000 SF		7.20%	
			Office- 100,001- 200,000 SF		6.70%	
			Office- more than 200,000 SF		6.40%	
Real Capital Analytics	4th Qtr. 2007	National	CBD Office		5.70%	weighted average cap rate - based on sales \$5 million or greater
			Suburban Office		7.02%	increased 45 basis points from 3rd Qtr 2006

National Office Cap Rates - continued						
Source	Date	Location	Type	Range	Average	Remarks
Marcus & Millichap Medical Office Research Report	Midyear 2007	National	Medical Office	high 6% to low 7% range		down nearly 40 basis points over the past year
Integra Realty Resources - Viewpoint 2008		National	CBD Office	5.00% - 11.50%	7.46%	
		National	Suburban Office	5.50% - 9.00%	7.42%	
Korpacz R.E. Investor Survey	4th Qtr 2007	National	CBD Office		6.64%	minus 30 basis points annual change
			Suburban Office		7.20%	minus 43 basis points annual change

The published office capitalization rates indicate that the rates for the Seattle Metropolitan area/King County are lower than the national rates.

During the sales verification process an attempt is made to ascertain the capitalization rate on the sale or a pro-forma cap rate on the first year performance. Whenever possible information on the occupancy level, lease rates, tenancy terms, and expenses is collected to determine how the sale compares to economic parameters of the market and how the leased fee cap rate compares to a fee simple cap rate.

The following table shows the typical capitalization rates used in the 1/01/2008 revaluation of the properties in the office specialty:

Building Type & Market	Capitalization rate applied *
Class A+ & A Seattle & Bellevue CBD Offices – (high-rise, mid-rise, low-rise)	6.00% to 6.50%
Suburban Class A Seattle in-close & Eastside	6.25% to 7.00%
Class B Seattle & Bellevue	6.75% to 7.5%
Renovated Class B – Seattle CBD	6.25% to 6.75%
South County A & B	6.75% to 7.50%
Medical Office Buildings	6.25% to 7.00%

* The range of capitalization rates reflect the building age, quality and competitiveness with the lower rates applied to the higher quality office buildings. Higher rates are applied to the lesser quality office buildings or to properties that have higher than the normal sub-market vacancy, substantial sub-lease vacancy, or physical issues that require additional capital investment.

The following is a brief description of the income parameters utilized in each of the six market segments:

North: Full service lease rates ranged from \$24.50 - \$34 per square foot of rentable area. Vacancy and collection loss figures used in this area was 5%-15%, expenses \$8.50 - \$9.50/NRA and overall capitalization rates were 6.00% to 6.75%. Values on a price per square foot of rentable area fell in the \$175 - \$397 range.

Seattle CBD & Adjacent Submarkets: Values on a price per square foot of rentable area fell in the \$105 - \$496 range. Lease rates ranged from \$17 - \$35 per square foot of rentable area. Vacancy and collection loss figures used in this area ranged from 5% - 20% with the majority between 5% – 10%, expenses ranged from \$8.00 - \$11.50/NRA and overall rates ranged from 6.00% - 8.00% with the majority being 6.00% -7.5%. A few properties included consideration of income from retail rents. This was considered for properties where the retail space represented approximately 5% or more of total NRA. The retail lease rate range utilized was \$20 - \$45/NRA, triple net rent. The vacancy and collection loss figure for retail space ranged from 5% - 10% and the triple net expense rate was 5%.

Additionally, income from parking was considered. Income was based on an allocation of total parking spaces into daily and monthly rates. Monthly spaces were calculated as representing 67% of the total spaces while daily spaces accounted for the remaining 33%. The 2006 Parking Inventory for Seattle and Bellevue prepared by the Puget Sound Regional Council was typically utilized as a basis for establishing parking and occupancy rates in the various neighborhoods in Downtown Seattle and Downtown Bellevue (the 2008 bi-yearly survey will not be available until after this valuation). No turnaround on the daily spaces was recognized. A parking expense rate of 10 – 25% was applied to parking income to arrive at a net parking income contribution figure. An expense survey by the Seattle CBD geo-appraiser indicates that the older stand-alone parking garages often incur higher expenses.

The following is a description of the parking income parameters used in the income approach to valuation for Downtown Seattle properties.

Seattle CBD			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$16.38	\$159.69	34.4%
2	\$13.94	\$117.08	67.0%
3	\$12.67	\$157.50	76.4%
4	\$19.00	\$213.72	75.1%
5	\$25.24	\$234.02	67.9%
6	\$14.44	\$178.14	74.2%
7	\$21.05	\$237.80	71.6%
8	\$20.76	\$257.44	66.2%
9	\$10.91	\$173.50	50.2%
10	\$12.05	\$140.71	70.7%
11	\$9.80	\$138.00	66.0%
12	\$11.15	\$179.24	67.3%
13	\$10.19	\$177.41	72.2%
Lower Queen Anne			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
17	\$6.75	\$150.00	58.3%
18	\$6.37	\$65.00	34.9%
19	\$7.90	\$101.40	53.1%

Bellevue CBD: Values on a price per square foot of net rentable area fell in the \$214 - \$429 range. Lease rates ranged from \$23 - \$35 per square foot of rentable area, with the majority of rents falling in the \$27 - \$31 per square foot range. One property included consideration of income from retail rents. The retail lease rate utilized was \$25/nra, triple net rent with a 5 % vacancy and collection loss assumption and operating expenses of 5%. It is unusual for office buildings in this segment to have significant retail space included. Vacancy and collection loss figures used in this area were 5% - 10%, expenses ranged from \$9- \$11.00/nra and capitalization rates ranged from 6.00% - 7.00%.

Additionally, income from parking was considered. Income was based on an allocation of total parking spaces into daily and monthly rates. Monthly spaces were calculated as representing 67% of the total spaces while daily spaces accounted for the remaining 33%. The 2006 Parking Inventory for Seattle and Bellevue prepared by the Puget Sound Regional Council was utilized as a basis for establishing parking and occupancy rates in the various neighborhoods in the Downtown Bellevue. No turnaround on the daily spaces was recognized. A parking expense rate of 10% - 25% was applied to parking income to arrive at a net parking income contribution figure.

Bellevue CBD			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$14.00	\$135.00	56.8%
2	\$12.00	N/A	65.2%
3	\$14.64	\$121.23	49.9%
4	\$12.90	\$130.67	58.2%

Suburban Eastside: Lease rates ranged from \$24 - \$34 per square foot of net rentable area, with the majority of rents falling in the \$24.50 - \$28 per square foot range. Vacancy and collection loss figures used in this area were 5% - 8.5%, and expenses \$9- \$11/nra with the majority falling in the \$9 - \$10 range. Overall rates were 6.25% - 7%. Parking was not analyzed as an additional income contributor as parking has typically been included at no charge. Values on a price per square foot of net rentable area fell in the \$192 - \$341 range.

South End: Renton, Tukwila, Southcenter, Kent, SeaTac, and Federal Way - Lease rates ranged from \$17.50 - \$28.50 per square foot of rentable area with the majority at \$20 - \$23.50. Vacancy and collection loss figures used in this area were 10% - 20% with the majority at 10% - 12%. Expenses in the Southend submarkets were \$6.50 - \$9. Overall rates in the Southend were 6.75% - 8.25% with most at 6.75%- 7.25%. Values on a price per square foot of net rentable in the South County office market fell in the \$94 - \$247 range.

Medical Office Buildings: Values on a price per square foot of net rentable area fell in the \$174 - \$393 range. Full service lease rates ranged from \$22 - \$35 per square foot of net rentable area. Vacancy and collection loss figures in this segment were 5% - 10% and expenses ranged from \$9.50 - \$12.50/NRA. Overall rates ranged from 6.25% - 7.5%.

Parking income contributions were included depending upon the location of the property. Downtown Seattle, First Hill and the University District locations included recognition of this income. Income was based on an allocation of total parking spaces into daily and monthly rates. Monthly spaces were calculated as representing 67% of the total spaces while daily spaces accounted for the remaining 33%. The 2006 Parking Inventory for Seattle and Bellevue prepared by the Puget Sound Regional Council was utilized as a basis for establishing parking rates in the these neighborhoods. A parking expense rate of 10% was applied to parking income to arrive at a net parking income contribution figure.

First Hill			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
14	\$13.53	\$153.13	72.2%
15	\$10.92	\$111.17	86.5%
16	\$11.40	\$100.29	74.2%
University District			
Neighborhood	Daily Rate	Monthly Rate	Occupancy
1	\$6.40	\$74.00	55.9%
2	\$7.13	\$91.60	65.3%
3	\$9.57	\$79.17	63.6%
4	\$10.00	\$80.00	59.60%

Reconciliation and or validation study of calibrated value models including ratio study of hold out samples.

Each parcel was individually reviewed by the specialty appraiser for correctness of the model application before the final value was selected. The income approach to valuation is given greatest weight in the final analysis due to the information available.

Model Validation

Total Value Conclusions, Recommendations and Validation:

Appraiser judgment prevails in all decisions regarding individual parcel valuation. Each parcel is reviewed and a value selected based on general and specific data pertaining to the parcel, the neighborhood, and the market. The appraiser determines which available value estimate may be appropriate and may adjust for particular characteristics and conditions as they occur in the valuation area.

Application of the total value model described above results in the following standard statistical measures of valuation performance and uniformity: the C.O.D. is 11.84%, the C.O.V. is 14.41%, and the P.R.D is 0.99. In addition, the resulting assessment level improved from 83.1% to 94.6 %. These measures all indicate an improvement with the exception of the Price-related Differential which did not change. They are presented in the 2008 Ratio Analysis chart included in this report. As discussed, some of the sales exhibit a value difference between the leased fee and the fee simple interests due to rental rates in place that are higher or lower than current prevailing rates. Therefore the ratio analysis of sales should not be considered a completely reliable gage of assessment performance.

Application of these recommended values for the 2008 assessment year results in an total change from the 2007 assessments of +18.49 %. This increase is due to upward market changes over 2007 previous assessment levels, and new construction. The total assessed value for the 2007 assessment year was \$12,789,385,000 and the total recommended assessed value for the 2008 assessment year is \$15,154,390,400.

Client and Intended Use of the Appraisal:

*This mass appraisal report is intended for use only by the King County Assessor and other agencies or departments administering or confirming ad valorem property taxes. Use of this report by others is not intended by the appraiser. The use of this appraisal, analyses and conclusions is limited to the administration of ad valorem property taxes in accordance with Washington State law. As such it is written in concise form to minimize paperwork. The assessor intends that this report conform to the Uniform Standards of Professional Appraisal Practice (USPAP) requirements for a **mass appraisal report** as stated in USPAP SR 6-8. To fully understand this report the reader may need to refer to the Assessor's Property Record Files, Assessors Real Property Data Base, separate studies, Assessor's Procedures, Assessor's field maps, Revalue Plan and the statutes. The purpose of this report is to explain and document the methods, data and analysis used in the revaluation of King County. King County is on a six year physical inspection cycle with annual statistical updates. The revaluation plan is approved by Washington State Department of Revenue. The Revaluation Plan is subject to their periodic review.*

Definition and date of value estimate:

Market Value

The basis of all assessments is the true and fair value of property. True and fair value means market value (Spokane etc. R. Company v. Spokane County, 75 Wash. 72 (1913); Mason County Overtaxed, Inc. v. Mason County, 62 Wn. 2d (1963); AGO 57-58, No. 2, 1/8/57; AGO 65-66, No. 65, 12/31/65). The true and fair value of a property in money for property tax valuation purposes is its "market value" or amount of money a buyer willing but not obligated to buy would pay for it to a seller willing but not obligated to sell. In arriving at a determination of such value, the assessing officer can consider only those factors which can within reason be said to affect the price in negotiations between a willing purchaser and a willing seller, and he must consider all of such factors. (AGO 65,66, No. 65, 12/31/65)

Highest and Best Use

RCW 84.40.030 *All property shall be valued at one hundred percent of its true and fair value in money and assessed on the same basis unless specifically provided otherwise by law.*

An assessment may not be determined by a method that assumes a land usage or highest and best use not permitted, for that property being appraised, under existing zoning or land use planning ordinances or statutes or other government restrictions.

WAC 458-07-030 (3) True and fair value -- Highest and best use. *Unless specifically provided otherwise by statute, all property shall be valued on the basis of its highest and best use for assessment purposes. Highest and best use is the most profitable, likely use to which a property can be put. It is the use which will yield the highest return on the owner's investment. Any reasonable use to which the property may be put may be taken into consideration and if it is peculiarly adapted to some particular use, that fact may be taken into consideration. Uses that are within the realm of possibility, but not reasonably probable of occurrence, shall not be considered in valuing property at its highest and best use.*

If a property is particularly adapted to some particular use this fact may be taken into consideration in estimating the highest and best use. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922)) The present use of the property may constitute its highest and best use. The appraiser shall, however, consider the uses to which similar property similarly located is being put. (Finch v. Grays Harbor County, 121 Wash. 486 (1922)) The fact that the owner of the property chooses to use it for less productive purposes than similar land is being used shall be ignored in the highest and best use estimate. (Sammish Gun Club v. Skagit County, 118 Wash. 578 (1922))

Where land has been classified or zoned as to its use, the county assessor may consider this fact, but he shall not be bound to such zoning in exercising his judgment as to the highest and best use of the property. (AGO 63-64, No. 107, 6/6/64)

Date of Value Estimate

All property now existing, or that is hereafter created or brought into this state, shall be subject to assessment and taxation for state, county, and other taxing district purposes, upon equalized valuations thereof, fixed with reference thereto on the first day of January at twelve o'clock meridian in each year, excepting such as is exempted from taxation by law. [1961 c 15 §84.36.005]

The county assessor is authorized to place any property that is increased in value due to construction or alteration for which a building permit was issued, or should have been issued, under chapter 19.27, 19.27A, or 19.28 RCW or other laws providing for building permits on the assessment rolls for the purposes of tax levy up to August 31st of each year. The assessed valuation of the property shall be considered as of July 31st of that year. [1989 c 246 § 4]

Reference should be made to the property card or computer file as to when each property was valued. Sales consummating before and after the appraisal date may be used and are analyzed as to their indication of value at the date a valuation. If market conditions have changed then the appraisal will state a logical cutoff date after which no market date is used as an indicator of value.

Property rights appraised:

Fee Simple

Wash Constitution Article 7 § 1 Taxation: *All taxes shall be uniform upon the same class of property within the territorial limits of the authority levying the tax and shall be levied and collected for public purposes only. The word "property" as used herein shall mean and include everything, whether tangible or intangible, subject to ownership. All real estate shall constitute one class.*

Trimble v. Seattle, 231 U.S. 683, 689, 58 L. Ed. 435, 34 S. Ct. 218 (1914) *“the entire [fee] estate is to be assessed and taxed as a unit”*

Folsom v. Spokane County, 111 Wn. 2d 256 (1988) *“the ultimate appraisal should endeavor to arrive at the fair market value of the property as if it were an unencumbered fee”*

The definition of fee simple estate as taken from The Third Edition of The Dictionary of Real Estate Appraisal, published by the Appraisal Institute. “Absolute ownership unencumbered by any other interest or estate, subject only to the limitations imposed by the governmental powers of taxation, eminent domain, police power, and escheat.”

Assumptions and Limiting Conditions:

1. *No opinion as to title is rendered. Data on ownership and legal description were obtained from public records. Title is assumed to be marketable and free and clear of all liens and encumbrances, easements and restrictions unless shown on maps or property record files. The property is appraised assuming it to be under responsible ownership and competent management and available for its highest and best use.*
2. *No engineering survey has been made by the appraiser. Except as specifically stated, data relative to size and area were taken from sources considered reliable, and no encroachment of real property improvements is assumed to exist.*
3. *No responsibility for hidden defects or conformity to specific governmental requirements, such as fire, building and safety, earthquake, or occupancy codes, can be assumed without provision of specific professional or governmental inspections.*
4. *Rental areas herein discussed have been calculated in accord with generally accepted industry standards.*
5. *The projections included in this report are utilized to assist in the valuation process and are based on current market conditions and anticipated short term supply demand factors. Therefore, the projections are subject to changes in future conditions that cannot be accurately predicted by the appraiser and could affect the future income or value projections.*
6. *The property is assumed uncontaminated unless the owner comes forward to the Assessor and provides other information.*
7. *The appraiser is not qualified to detect the existence of potentially hazardous material which may or may not be present on or near the property. The existence of such substances may have an effect on the value of the property. No consideration has been given in this analysis to any potential diminution in value should such hazardous materials be found (unless specifically noted). We urge the taxpayer to retain an expert in the field and submit data affecting value to the assessor.*
8. *No opinion is intended to be expressed for legal matters or that would require specialized investigation or knowledge beyond that ordinarily employed by real estate appraisers, although such matters may be discussed in the report.*
9. *Maps, plats and exhibits included herein are for illustration only, as an aid in visualizing matters discussed within the report. They should not be considered as surveys or relied upon for any other purpose.*
10. *The appraisal is the valuation of the fee simple interest. Unless shown on the Assessor's parcel maps, easements adversely affecting property value were not considered.*
11. *An attempt to segregate personal property from the real estate in this appraisal has been made.*
12. *Items which are considered to be "typical finish" and generally included in a real property transfer, but are legally considered leasehold improvements are included in the valuation unless otherwise noted.*
13. *The movable equipment and/or fixtures have not been appraised as part of the real estate. The identifiable permanently fixed equipment has been appraised in accordance with RCW 84.04.090 and WAC 458-12-010.*
14. *I have considered the effect of value of those anticipated public and private improvements of which I have common knowledge. I can make no special effort to contact the various jurisdictions to determine the extent of their public improvements.*
15. *Exterior inspections were made of all properties in the physical inspection areas (outlined in the body of the report) however; due to lack of access and time few received interior inspections.*

Scope of Work Performed:

Research and analyses performed are identified in the body of the revaluation report. The assessor has no access to title reports and other documents. Because of legal limitations we did not research such items as easements, restrictions, encumbrances, leases, reservations, covenants, contracts, declarations and special assessments. Disclosure of interior home features and, actual income and expenses by property owners is not a requirement by law therefore attempts to obtain and analyze this information are not always successful. The mass appraisal performed must be completed in the time limits indicated in the Revaluation Plan and as budgeted. The scope of work performed and disclosure of research and analyses not performed are identified throughout the body of the report.

CERTIFICATION:

I certify that, to the best of my knowledge and belief:

- *The statements of fact contained in this report are true and correct*
- *The report analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions and is my personal, impartial, and unbiased professional analyses, opinions, and conclusions.*
- *I have no present or prospective interest in the property that is the subject of this report and no personal interest with respect to the parties involved.*
- *I have no bias with respect to the property that is the subject of this report or to the parties involved.*
- *My engagement in this assignment was not contingent upon developing or reporting predetermined results.*
- *My compensation for completing this assignment is not contingent upon the development or reporting of predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal.*
- *My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the Uniform Standards of Professional Appraisal Practice.*
- *The area(s) physically inspected for purposes of this revaluation are outlined in the body of this report.*
- *The individuals listed below were part of the “appraisal team” and provided significant real property appraisal assistance to the person signing this certification.*
- *The reported analyses, opinions and conclusions were developed, and this report prepared, in conformity with the requirements of the Code of Professional Ethics and the Standards of Professional Practice of the Appraisal Institute.*
- *I certify that the use of this report is subject to the requirements of the Appraisal Institute relating to review by its duly authorized representatives.*
- *As of the date of this report, I have/have not completed the continuing education program of the Appraisal Institute.*

Dan Margonelli, Appraiser II

Date

Improved Sales for Area 280 Used

BELLEVUE CBD SALES

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	154410	0320	305,800	2110979	\$140,246,000	03/28/05	\$459	CIVICA OFFICE COMMONS	CBD-MU	1	2	0% vac, average lease rate in place of \$39/sf, mostly 7-10 yr leases - First of 2 sales not in ratio study
280	322505	9134	147,384	2133288	\$38,488,580	06/24/05	\$260	LINCOLN PLAZA	OLB	1	2	1% vac with 30,000 SF of Microsoft sublease rollover in 1/06, \$16 NNN asking rates
80	154410	0323	93,958	2123535	\$22,150,000	05/17/05	\$231	KEY BANK BLDG.	CBDO2	1	2	NOT IN SPECIALTY (too small) 24% vacant at sale, \$22-26 asking rates
280	322505	9016	408,460	2183749	\$129,778,102	01/26/06	\$318	SKYLINE TOWER	CBDO1	1	2	7% vac on 1/01/06, \$28.50 - \$32.50 asking rates
280	154410	0320	305,800	2240310	\$175,743,064	03/28/05	\$575	CIVICA OFFICE COMMONS	CBD-MU	1	2	0% vac, average rent \$31 N, Microsoft & other blue chip tenants
280	322505	9066	468,069	2279574	\$203,800,613	04/10/07	\$435	CITY CENTER BELLEVUE	DNTNO-1	1	2	4% vac with FS asking rates of \$37.50 - \$40 & \$9.86/sf expenses as of sale date - Part of bulk portfolio Sale not in ratio study
280	322505	9181	224,725	2279580	\$80,000,000	04/10/07	\$356	110 ATRUIM BLDG.	DNTN-MU	1	2	11% vac and FS asking rates of \$29.50 - \$30 & \$9.13/sf expenses as of sale date - Part of bulk portfolio sale not in ratio study
280	292505	9357 9358 9048	473,392	2279582	\$156,208,181	04/10/07	\$330	US BANK PLAZA, PLAZA CENTER, & PARKING GARAGE	DNTNO-2	3	2	10% vac for US Bank, 3% vac for Plaza Center, FS asking rates of \$31 - \$34 & \$9/sf expenses as of sale date - Part of bulk portfolio sale not in ratio study
280	600950	0035	147,802	2279583	\$49,112,479	04/10/07	\$332	PLAZA EAST	DNTN-MU	1	2	7% vac - FS rates of \$31- 34 & \$9/sf expenses at sale - Part of bulk portfolio sale not in ratio study

Verification Code # 2 indicates a market sale

SUBURBAN EASTSIDE SALES

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
75	128362	0010	141,590	2121826	\$27,550,000	05/10/05	\$195	EASTGATE OFFICE PARK III & IV	OLB	1	2	10-15% vacancy at sale, \$15-17 NNN asking rates, multiple bldgs under office specialty size – not in specialty
280	531510	1015	152,493	2177485	\$39,550,000	12/22/05	\$259	FARMERS NEW WORLD LIFE INSURANCE CO.	TC	1	2	Leaseback to seller for 15 yrs – not in ratio study
280	697920	0050	193,454	2179635	\$45,345,000	12/22/05	\$234	PLAZA at NORTH CREEK BLDGS.	MU	1	2	leaseback of 47% of SF to seller thru 2015 & 1 st of 2 sales - not in ratio study
85	124870	0135	75,129	2271658	\$27,050,000	03/14/07	\$360	CONTINENTAL PLAZA	CBD5	1	2	Not in specialty (too small); 66% occupied at time of sale, \$23.50 NNN asking rates, \$7.50 /sf expenses
280	066287	0010	111,257	2279588	\$37,500,000	04/10/07	\$337	BELLEVUE GATEWAY BLDG.	OLB	1	2	20% vac, FS asking rates of \$28 - \$28.50 & \$9.18/sf expenses at time of sale - Part of bulk portfolio sale not in ratio study
280	128360	0060	270,973	2279576	\$75,754,805	04/10/07	\$280	EASTGATE OFFICE PARK	O	1	2	2.4% & 0% vac – 2 bldgs, Net asking rates of \$21 - \$23 at time of sale - Part of bulk portfolio sale not in ratio study
280	531510	0546	101,617	2279598	\$42,000,000	04/10/07	\$413	ISLAND CORPORATE CENTER	TC	1	2	5% vac, FS asking rates of \$31 & \$9.54/sf expenses as time of sale - Part of bulk portfolio sale not in ratio study
280	813530	0060 0070 0080 0090 0100 0110	447,902	2279585	\$176,122,693	04/10/07	\$393	SUNSET NORTH BLDGS 1, 2, 3, & PARKING GARAGE	OLB	6	2	0% vac, Net asking rates of \$22 - \$25 at time of sale - Part of bulk portfolio sale not in ratio study
280	697920	0050	193,454	2305778	\$50,500,000	08/09/07	\$261	PLAZA at NORTH CREEK	R-AC, OP	1	2	6% vac East bldg, 0% vac in North bldg, Net asking rates of \$19 at time of sale - - Part of bulk portfolio sale not in ratio study

Verification Code # 2 indicates a market sale

SOUTHEND SALES

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	926500	0060	112,630	2177513	\$11,200,000	12/19/05	\$99	WEST CAMPUS BLDG.	MP	1	2	Seller was sole occupant and will lease back for 1 yr at \$12.50 Net - currently 100% vacant – 112,630 SF as multi-tenant bldg
280	334040	3320 3340 3441	273,903	2186102	\$31,207,243	02/21/06	\$114	LANDMARK EAST & WEST BLDGS.	CO	3	2	West Bldg renovated with 25% vac and \$10-12 N leases in place, East is vacant with \$14.50-\$15 N asking rates – east bldg renovated from vacant single tenant bldg to multi-tenant office after sale – not in ratio study
280	192305	9076 9013 9095	269,247	2197871	\$46,995,000	04/06/06	\$175	SOUTHGATE OFFICE PLAZA I & II	CO	3	2	100% leased at sale with buyer/tenant expanding by 49,000 SF, \$21 - \$22 asking rents
280	012204	9012	218,586	2220822	\$40,250,000	07/06/06	\$184	CREEKSIDE AT CENTERPOINT	M1	1	2	28% vac and \$14- \$16 N asking rates, \$8/sf expenses at time of sale,
280	262304	9143 9144	191,879	2239911	\$28,730,000	09/28/06	\$150	SOUTHCENTER CORPORATE SQUARE	TUC	2	2	26% vac with \$13 N asking rates & \$6.70/sf expenses at time of sale
280	012204 189570	9110 0010 0020 0030	433,170	2243954	\$77,500,000	10/17/06	\$179	CENTERPOINT– ATRIUM, CASCADE E, CASCADE W, & RETAIL	M1	4	2	68% occupied with asking rates of \$14 - \$15 N at time of sale (sale includes 3 office bldgs & retail bldg)
280	334040	4000	201,448	2259309	\$28,844,360	01/04/07	\$143	VALLEY OFFICE PARK	CO	1	2	15% vac with \$19-\$21 FS asking rates at time of sale, FAA occupies 80,000, buyer/user is Providence Health System
280	334040	4003 4004 4006	193,118	2307562	\$36,000,000	08/27/07	\$186	1601 LIND / FAA REGIONAL HQ		3	2	0% vac – 100% occupied by single tenant, sale includes daycare & parking parcels
280	332304	9001	532,430		\$79,250,000	12/28/07	\$149 imps only	SEATAC OFFICE CENTER		1	2	Sale for imps only, 3 bldgs & pkg garage, 87% leased, larger tenants are Boeing, Port of Seattle, Mitsui, NW Airlines, FS asking rates of \$21 – 23 in N Tower & \$24 – 27 in S Tower, sale does not include land - not in ratio study
280	222104	9006	103,500	2332938	\$23,729,000	02/14/08	\$230	EAST CAMPUS CORPORATE PARK VI		1	2	0% vac with net asking rates of \$15 & \$7.36/sf expenses, buyer is adjacent owner World Vision & occupies 1/3 of bldg – after valuation date – not in ratio study

Verification Code # 2 indicates a market sale

SEATTLE CBD SALES

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	093900	0335	295,515	2100265	\$52,450,000	02/07/05	\$177	EXCHANGE BLDG	DOC2-240	1	2	11 % vac, \$5m renov.
280	763420	0005	707,949	2119412	\$162,809,049	04/29/05	\$230	1001 FOURTH AVENUE BLDG.	DOC1-450	1	2	12% vac at sale, 44% at end of 05, buyer to spend \$30m renovating
280	919590	0010	174,812	2121778	\$41,999,000	05/10/05	\$240	WATERFRONT PLACE	DMC 160	1	2	25% vac at sale, \$22-26 FS rates at sale – 1st of 2 sales – not in ratio study
30	197720	0020	97,701	2144483	\$23,646,550	08/04/05	\$242	FIRST & STEWART	DMC 125	1	2	26% vacant at sale, not in specialty (too small)
280	197670	0185	310,628	2163231 2163234	\$81,829,254	10/20/05	\$263	PARK PLACE	DOC1 U/450U	1	2	18.5% vacant at sale, \$24.50 FS asking rate, por of 4 bldg sale, 1 st of 2 sales – not in ratio study
280	066000	2054	339,868	2163227	\$87,890,465	10/20/05	\$259	METROPOLITAN PARK WEST	DMC 340/290-400	1	2	6% vacant at sale, \$25-27 FS asking rates, por of 4 bldg sale
280	066000	2410	363,727	2163222	\$94,973,695	10/20/05	\$261	METROPOLITAN PARK WEST	DMC 340/290-400	1	2	19% vacant at sale, \$25-27 FS asking rates, por of 4 bldg sale
280	066000	2381	185,760	2163216	\$79,898,612	10/20/05	\$430	METROPOLITAN PARK NORTH	DMC 240/290-400	1	2	100% occupied, \$27.50 N asking rate, por of 4 bldg sale -1st of 2 sales – not in ratio study
280	766620	2133 2110 2080	298,236	2176032	\$117,125,000	12/16/05	\$393	ELLIOTT WEST BLDGS	IC - 45	3	2	100% leased at sale, long term NNN leases in place
280	065900	0305	286,437	2184142	\$83,675,000	02/03/06	\$292	720 OLIVE WAY	DOC 500/300-500	2	2	20% vac at sale, \$23-27 FS asking rates
280	069700	0235	237,162	2195629	\$61,325,000	03/29/06	\$259	BLANCHARD PLAZA	DMC 340/290-400	1	2	10% vac at sale, \$22.50 – 26 FS asking rates
280	066000	2381	185,760	2195412	\$88,429,000	03/28/06	\$476	METROPOLITAN PARK NORTH	DMC 240/290-400	1	2	100% leased, \$27.50 NNN asking rates, high parking income
280	093900	0060	248,481	2198041	\$42,827,120	04/06/06	\$167	SMITH TOWER	PSM-100	1	2	13% vac at sale, \$22-28 FS asking rates, \$20,000,000 seismic & upgrades in 2000
280	766620	6895	204,504	2197584	\$26,687,546	04/04/06	\$140	83 KING STREET	Psm-85-120	1	2	97% leased at sale, \$18-23 FS asking rates, buyer leased 45,000 SF prior to sale

												Seattle sales continued
Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	197570	0340	121,075	2199035	\$23,098,000	04/12/06	\$191	JOSEPH VANCE & STERLING BLDGS	DRC 85-150	1	2	20% office vac at sale, retail fully leased \$17-22 FS office asking rates, \$20-45 NNN retail
280	197720	0280	125,055	2210573	\$55,994,000	05/31/06	\$448	MARKET PLACE I & II	PMM-85	1	2	6% vac with asking rents of \$25-\$30/sf FS at time of sale, high pkg income and ex views, 1 st of 2 sales – not in ratio study
280	919590	0010	178,269	2220226	\$64,500,000	06/26/06	\$362	WATERFRONT PLACE OFFICE	DMC-160	1	2	24% vac with asking rates of \$25-\$32/sf FS at time of sale
280	093900	0260	313,380	2226477	\$81,100,000	07/21/06	\$259	DEXTER HORTON BLDG.	DMC 340/290	1	2	6% vac with asking rates of \$24-\$28/sf FS at time of sale, seismic and other renovation for \$20 m in 2001
280	197520	0005	161,412	2226477	\$36,090,000	08/01/06	\$224	SEATTLE TOWER	DOC1 U/450	1	2	6% vac with asking rates of \$24-\$30/sf FS at time of sale, \$3m in renovations after 11/04 sale
280	065300	0250 0270	331,943	2234296	\$107,500,000	08/24/06	\$324	SEATTLE TRADE CENTER	DH2/65	2	2	100% occupied at time of sale by Real Networks & Art Institute – leased to 2011 & 2013, \$16m conversion from apparel mart to tech-advanced office in 1998 – unobstructed waterfront views
280	701535	0020	151,250	2242861	\$32,291,975	10/02/06	\$214	QUEEN ANNE SQUARE	NC3-65	1	2	10% direct vac & 27% total vac with \$23/sf FS asking rates at the time of sale
280	066000	1255		2236241	\$15,000,000	09/12/06		1915 TERRY BLDG	DMC 340/290	1	2	100% vac at sale, purchased for land for residential towers but instead will be purchased & renovated to Children's Med Center for research facility
280	114200	0280 0290 0300 0425 0050 0225 0445 674670	511,000 sf total in all bldgs	2239287	\$130,000,000	09/27/06	\$220/sf rentable in all bldgs	SAFECO TOWER SAFECO PLAZA PARKING GARAGE & OTHER PROPERTIES	NC3-85	8	2	Owner occupied by Safeco which will leaseback for 2007, sale includes non office properties & land – not in ratio study

												Seattle sales continued
Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	197720	0040	112,889	2273455	\$23,096,200	03/21/07	\$205	BROADACRES BLDG.	DMC 240/290	1	2	93% leased with \$22-\$25/sf FS asking rates at the time of sale, por of 4 bldg sale, price based on DCF,
280	093900	0335	295,515	2278251	\$80,600,000	04/17/07	\$273	EXCHANGE BLDG.	DMC 340/290	1	2	100% leased with \$30-\$34/sf FS asking rates at the time of sale, 96,000 sf will be available 3 months after sale
280	766620	2220	101,160	2290890	\$40,012,400	06/13/07	\$396	101 ELLIOTT (SEATTLE PI BLDG.)	IC-45	1	2	8% vac with FS asking rates of \$27 - \$29 at sale - \$34 + after sale, waterfront/unobstructed views
280	069600	0175	197,135	2294418	\$69,944,400	06/18/07	\$355	FIFTH & BELL	DMR/C 240	1	2	16% vac with net asking rates of \$24.50 - 26.50/sf N & \$7.79/sf expenses as of sale
280	197720	0280	125,055	2301775	\$83,140,748	07/26/07	\$665	MARKET PLACE I & II	PMM-85	1	2	6% vac with FS asking rates of \$35/sf - high parking income with excellent views adj Pike Place Mkt.
30	197720	0020	97,701	2302252	\$36,000,000	08/01/07	\$368	FIRST & STEWART	DMC-125	1	2	12% vac with FS asking rates of \$34 - 36/sf, smaller than 100,000 SF - not in specialty
280	766620	2320	133,177	2302679	\$71,000,000	08/02/07	\$531	WORLD TRADE CENTER NORTH	DH2/65	1	2	0% vac with net asking rate of \$24/sf N, sale does not include pkg (Port of Seattle) leased by Real Networks who subleases
280	094200	0550	171,305	2307468	\$43,154,000	08/29/07	\$252	CENTRAL BUILDING	DOC1	1	2	6% vac with FS asking rates of \$22 - 26/sf at time of sale
280	197670	0185	310,633	2322103	\$115,830,000	11/29/07	\$373	PARK PLACE	DOC1	1	2	22% vac with FS asking rates of \$30 - 40/sf at sale
280	066000	1255	251,095	2325321	\$35,945,000	12/10/07	\$143	1915 TERRY	DMC-240	1	2	Vac but leased for 15yrs by Seattle's Childrens Hospital Research Center which exercised option to purchase - to be renovated, portion of assemblage
280	094200	0590	129,000	2323228	\$33,995,000	12/05/07	\$264	PACIFIC BUILDING	DOC1	1	2	15% vac with FS asking rates of \$28 - 30 at time of sale, multi-million \$ renovation planned to make bldg competitive per buyer

												Seattle Sales continued
Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	093900	0435	940,648	2279590	402,966,200	04/10/07	\$428	WELLS FARGO BUILDING	DOC 1	1	2	4% vac with FS asking rates of \$33 – 45 & \$11.31/sf expenses at time of sale- Part of bulk portfolio sale - not in ratio study
280	094200	0050	554,945	2279597	240,000,000	04/10/07	\$432	1111 THIRD AVENUE BUILDING	DOC 1	1	2	4% vac with FS asking rates of \$25 – 33 & \$10.39/sf expenses at time of sale – Part of bulk portfolio sale – not in ratio study
280	094200	0640	1,546,614	2279586	621,000,000	04/10/07	\$402	COLUMBIA CENTER	DOC 1	1	2	0.4% direct vac and FS asking rates of \$33 - \$50 & \$9.09/sf expenses as of sale date - Part of bulk portfolio sale – not in ratio study
280	094200	0030 0080	479,889	2279578	230,000,000	04/10/07	\$479	2 ND & SENECA & SDL BLDG.	DOC 1	2	2	3% vac with FS asking rates of \$28 – 34 & \$10.57/sf expenses as of sale date - Part of bulk portfolio sale – not in ratio study

Verification Code # 2 indicates a market sale

NORTHEND SALES

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP / NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	114200	0530 0550	223,216	2156275	\$94,500,000	09/03/05	\$423	ROOSEVELT COMMONS	NC3 85	2	2	99% leased at sale to 2 tenants, long-term NNN leases in place

Verification Code # 2 indicates a market sale

MEDICAL OFFICE BUILDINGS

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP NRA /	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	065900	0085	292,000	2143751	\$38,488,750	08/01/05	\$132	MEDICAL DENTAL BLDG	DRC 85	1	2	75% leased at sale, \$16-24 med, \$45-55 NNN retail, major renovation after sale – not in ratio study
280	610845	0010 et al	98,782	2279596	\$40,000,000	04/10/07	\$405	NORDSTROM MEDICAL TOWER	MIO 200	10	2	5% vac with net asking rates of \$24 – 28 N & \$12.30 expenses, sale includes 10 MOB of various sizes, part of bulk portfolio sale – not in ratio study
25	197820	1145	71,007	2334005	\$21,000,000	07/25/07	\$297	1001 BROADWAY	NC3 - 160	1	2	NOT IN SPECIALTY – too small, 7% vac at sale
280	610845	0010 et al	98,782	2297162	\$42,000,000	07/10/07	\$425	NORDSTROM MEDICAL TOWER	MIO 200	10	2	5% vac with net asking rates of \$21 – 31 N & \$12.30 expenses, buyer already owned pkg garage under tower, sale includes 10 medical office condos of various sizes

Verification Code # 2 indicates a market sale

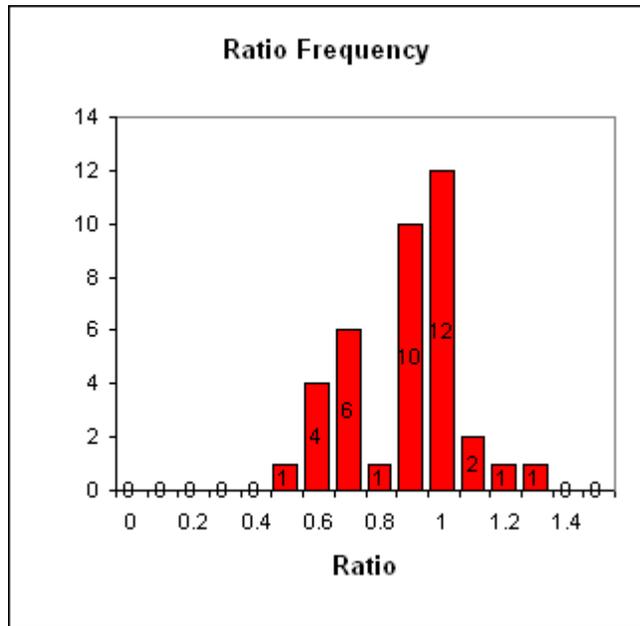
Improved Sales for Area 280 Not Used

Area	Major	Minor	Total NRA	E #	Sale Price	Sale Date	SP/ NRA	Property Name	Zone	Par. Ct.	Ver. Code	Remarks
280	069600	0175	197,135	2311955	\$2,533,334	09/05/07	\$12.85	5TH & BELL BUILDING	DMR/C 240/125	1	22	Partial interest (1/3, 1/2, etc.)
280	197520	0015	150,055	2112048	\$21,000,000	03/29/05	\$139.95	SEATTLE TELECOM - 1200 3RD AVENU	DOC1-450	1	37	Securing of debt
280	794260	0330	307,524	2281008	\$739,920	04/25/07	\$2.41	JAMES TOWER (PROVIDENCE MEDICAL	MIO-105 - L	1	22	Partial interest (1/3, 1/2, etc.)
280	065900	0040	335,850	2253288	\$2,708,119	11/30/06	\$8.06	WEST LAKE TOWER OFFICE BUILDING	DRC 85-150	1	33	Lease or leasehold
280	093900	0080	123,111	2145812	\$8,500,000	08/09/05	\$69.04	ALASKA BLDG	PSM-100	1	16	Government agency
280	093900	0080	109,572	2323474	\$38,700,000	12/06/07	\$353.19	ALASKA BLDG	PSM-100	1	57	Plans & permits included in sale
280	197670	0185	310,628	2163234	\$3,502,292	10/20/05	\$11.27	PARK PLACE OFFICE BLDG	DOC1-450	1	33	Lease or leasehold
280	172505	9120	105,340	2322227	\$10,000	08/29/07	\$0.09	CARILLON POINT	PLA 15A	1	24	Easement or right-of-way

Office Specialty -280
2007 Assessment Ratio

Quadrant/Crew: Central Crew	Lien Date: 1/1/2007	Date: 6/4/2008	Sales Dates: 4/29/05 - 12/10/07
Area 280	Appr ID: DMAR	Prop Type: Improvement	Trend used?: Y / N N

SAMPLE STATISTICS	
<i>Sample size (n)</i>	38
<i>Mean Assessed Value</i>	54,643,300
<i>Mean Sales Price</i>	65,752,400
<i>Standard Deviation AV</i>	37,157,178
<i>Standard Deviation SP</i>	39,136,950
ASSESSMENT LEVEL	
<i>Arithmetic mean ratio</i>	0.824
<i>Median Ratio</i>	0.858
<i>Weighted Mean Ratio</i>	0.831
UNIFORMITY	
<i>Lowest ratio</i>	0.4785
<i>Highest ratio:</i>	1.2178
<i>Coefficient of Dispersion</i>	15.79%
<i>Standard Deviation</i>	0.1748
<i>Coefficient of Variation</i>	21.20%
<i>Price-related Differential</i>	0.99
RELIABILITY	
95% Confidence: Median	
<i>Lower limit</i>	0.803
<i>Upper limit</i>	0.921
95% Confidence: Mean	
<i>Lower limit</i>	0.769
<i>Upper limit</i>	0.880
SAMPLE SIZE EVALUATION	
<i>N (population size)</i>	207
<i>B (acceptable error - in decimal)</i>	0.05
<i>S (estimated from this sample)</i>	0.1748
Recommended minimum:	40
<i>Actual sample size:</i>	38
Conclusion:	Uh-oh
NORMALITY	
Binomial Test	
<i># ratios below mean:</i>	16
<i># ratios above mean:</i>	22
<i>z:</i>	0.811107106
Conclusion:	Normal*
*i.e., no evidence of non-normality	



These figures reflect measurements before posting new values.

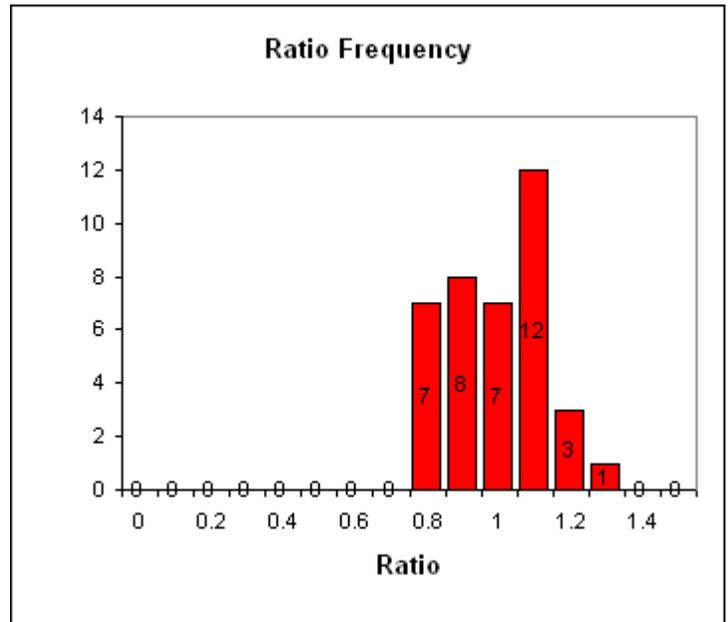
Office Specialty -280
2007 Assessment Ratio

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
012204-9012	33,412,400	40,250,000	7/6/2006	0.8301	0.0276
012204-9110	66,352,100	77,500,000	10/17/2006	0.8562	0.0016
065300-0250	79,725,200	107,500,000	8/24/2006	0.7416	0.1161
065900-0305	75,343,200	83,650,000	1/31/2006	0.9007	0.0430
066000-1255	18,905,900	35,945,000	12/10/2007	0.5260	0.3318
066000-2054	84,724,100	87,890,465	10/20/2005	0.9640	0.1062
066000-2381	79,979,100	88,429,000	3/28/2006	0.9044	0.0467
066000-2410	93,445,800	94,973,695	10/20/2005	0.9839	0.1262
069600-0175	46,317,000	69,944,400	6/28/2007	0.6622	0.1955
069700-0235	52,028,900	61,324,000	3/29/2006	0.8484	0.0093
093900-0060	40,181,200	42,827,120	4/5/2006	0.9382	0.0805
093900-0260	65,086,600	81,100,000	7/21/2006	0.8025	0.0552
093900-0335	65,467,900	80,600,000	4/17/2007	0.8123	0.0455
094200-0300	183,955,600	162,809,050	4/29/2005	1.1299	0.2721
094200-0550	23,169,200	43,154,000	8/29/2007	0.5369	0.3208
094200-0590	16,266,600	33,995,000	12/5/2007	0.4785	0.3792
114200-0530	86,920,700	94,500,000	9/21/2005	0.9198	0.0621
154410-0320	120,781,600	175,743,064	9/25/2006	0.6873	0.1705
192305-9013	47,023,000	46,995,000	4/5/2006	1.0006	0.1429
197520-0005	31,325,000	36,090,000	8/1/2006	0.8680	0.0102
197570-0340	21,747,600	23,098,000	4/12/2006	0.9415	0.0838
197670-0185	77,396,700	115,830,000	11/29/2007	0.6682	0.1895
197720-0040	15,320,600	23,096,276	3/21/2007	0.6633	0.1944
197720-0280	44,549,000	83,140,748	7/26/2007	0.5358	0.3219
262304-9144	24,688,300	28,730,000	9/27/2006	0.8593	0.0016
322505-9016	125,533,400	129,778,102	1/26/2006	0.9673	0.1096
322505-9134	35,603,900	38,488,580	6/24/2005	0.9251	0.0673
334040-4000	27,128,300	28,844,360	1/4/2007	0.9405	0.0828
334040-4006	29,409,800	36,000,000	8/27/2007	0.8169	0.0408
531510-1015	34,339,100	39,550,000	12/22/2005	0.8682	0.0105
610845-0010	29,349,800	42,000,000	7/10/2007	0.6988	0.1589
701535-0020	29,749,800	32,291,975	10/12/2006	0.9213	0.0635
766620-2080	111,953,800	117,125,000	12/16/2005	0.9558	0.0981
766620-2220	24,127,300	40,012,400	6/13/2007	0.6030	0.2547
766620-2320	36,538,600	71,000,000	8/2/2007	0.5146	0.3431
766620-6895	34,936,000	28,687,546	4/4/2006	1.2178	0.3601
919590-0010	52,120,100	64,500,000	6/26/2006	0.8081	0.0497
926500-0060	11,541,400	11,200,000	12/19/2005	1.0305	0.1727

Office Specialty -280
2008 Assessment Ratio

Quadrant/Crew: Central Crew	Lien Date: 1/1/2008	Date: 6/3/2008	Sales Dates: 4/29/05 - 12/10/07
Area 280	Appr ID: DMAR	Prop Type: Improvement	Trend used?: Y / N N

SAMPLE STATISTICS	
Sample size (n)	38
Mean Assessed Value	62,173,700
Mean Sales Price	65,752,400
Standard Deviation AV	40,988,834
Standard Deviation SP	39,136,950
ASSESSMENT LEVEL	
Arithmetic mean ratio	0.939
Median Ratio	0.935
Weighted Mean Ratio	0.946
UNIFORMITY	
Lowest ratio	0.7240
Highest ratio:	1.2891
Coefficient of Dispersion	11.84%
Standard Deviation	0.1353
Coefficient of Variation	14.41%
Price-related Differential	0.99
RELIABILITY	
95% Confidence: Median	
Lower limit	0.859
Upper limit	1.007
95% Confidence: Mean	
Lower limit	0.896
Upper limit	0.982
SAMPLE SIZE EVALUATION	
N (population size)	207
B (acceptable error - in decimal)	0.05
S (estimated from this sample)	0.1353
Recommended minimum:	26
Actual sample size:	38
Conclusion:	OK
NORMALITY	
Binomial Test	
# ratios below mean:	20
# ratios above mean:	18
z:	0.162221421
Conclusion:	Normal*
*i.e., no evidence of non-normality	



These figures reflect measurements after posting new values. All the sales that were leased reflect the leased fee. Some of these sales may exhibit a value difference between the leased fee and the fee simple interest due to the rental rates in place being higher or lower than the current prevailing rates

Office Specialty -280
2008 Assessment Ratio

Parcel Number	Assessed Value	Sale Price	Sale Date	Ratio	Diff: Median
012204-9012	34,649,000	40,250,000	7/6/2006	0.8608	0.0740
012204-9110	66,115,200	77,500,000	10/17/2006	0.8531	0.0818
065300-0250	90,766,000	107,500,000	8/24/2006	0.8443	0.0906
065900-0305	86,282,000	83,650,000	1/31/2006	1.0315	0.0966
066000-1255	27,453,000	35,945,000	12/10/2007	0.7638	0.1711
066000-2054	100,224,000	87,890,465	10/20/2005	1.1403	0.2054
066000-2381	82,359,000	88,429,000	3/28/2006	0.9314	0.0035
066000-2410	110,265,000	94,973,695	10/20/2005	1.1610	0.2261
069600-0175	58,699,000	69,944,400	6/28/2007	0.8392	0.0957
069700-0235	61,697,000	61,324,000	3/29/2006	1.0061	0.0712
093900-0060	40,394,000	42,827,120	4/5/2006	0.9432	0.0083
093900-0260	73,957,000	81,100,000	7/21/2006	0.9119	0.0230
093900-0335	71,869,000	80,600,000	4/17/2007	0.8917	0.0432
094200-0300	209,885,000	162,809,050	4/29/2005	1.2891	0.3543
094200-0550	34,347,000	43,154,000	8/29/2007	0.7959	0.1390
094200-0590	29,206,000	33,995,000	12/5/2007	0.8591	0.0758
114200-0530	88,681,000	94,500,000	9/21/2005	0.9384	0.0035
154410-0320	131,166,000	175,743,064	9/25/2006	0.7464	0.1885
192305-9013	53,734,700	46,995,000	4/5/2006	1.1434	0.2085
197520-0005	37,304,000	36,090,000	8/1/2006	1.0336	0.0987
197570-0340	23,736,000	23,098,000	4/12/2006	1.0276	0.0927
197670-0185	93,132,000	115,830,000	11/29/2007	0.8040	0.1308
197720-0040	18,868,000	23,096,276	3/21/2007	0.8169	0.1180
197720-0280	61,840,000	83,140,748	7/26/2007	0.7438	0.1911
262304-9144	26,465,000	28,730,000	9/27/2006	0.9212	0.0137
322505-9016	140,011,000	129,778,102	1/26/2006	1.0788	0.1440
322505-9134	38,490,000	38,488,580	6/24/2005	1.0000	0.0651
334040-4000	28,966,000	28,844,360	1/4/2007	1.0042	0.0693
334040-4006	36,923,500	36,000,000	8/27/2007	1.0257	0.0908
531510-1015	39,818,000	39,550,000	12/22/2005	1.0068	0.0719
610845-0010	32,728,000	42,000,000	7/10/2007	0.7792	0.1557
701535-0020	31,765,000	32,291,975	10/12/2006	0.9837	0.0488
766620-2080	118,015,400	117,125,000	12/16/2005	1.0076	0.0727
766620-2220	29,454,000	40,012,400	6/13/2007	0.7361	0.1988
766620-2320	51,403,000	71,000,000	8/2/2007	0.7240	0.2109
766620-6895	31,248,000	28,687,546	4/4/2006	1.0893	0.1544
919590-0010	59,081,000	64,500,000	6/26/2006	0.9160	0.0189
926500-0060	11,603,600	11,200,000	12/19/2005	1.0360	0.1011